

COUNTRY PROFILE:**REPUBLIC OF BOLIVIA**

IES/02: ATTACHMENT A

DATED:**OCTOBER 2008****CREDIT GUARANTEE:**

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	3C	No restriction

Recent Political Highlights

- ❑ Chief of state since 2006 is President Juan Evo Morales Ayma. The president is elected by popular vote for a single five-year term.
- ❑ Bolivia's government and opposition say they have reached a deal on political reform after months of protests. As per the new law, the referendum on the new constitution would be held on 25 January, followed by elections for president, vice-president and Congress on 6 December 2009. The law was passed after Morales reached a deal with the opposition as his ruling party does not have enough majority in the country's Congress to set the referendum date by itself. The deadlock between Mr Morales and his opponents in Congress was broken after he agreed to seek only one more five-year term. The draft constitution would allow a president to seek two consecutive five-year terms, instead of the one-term limit.
- ❑ Opponents, based in the gas-rich lowland provinces, say the draft constitution overlooks their demands for greater autonomy for their regions and concentrates too much power in the president's hands. The arguments had spilled over into at times deadly violence in recent months as supporters and critics of the draft constitution took to the streets. The proposed new charter sets out greater central control of the economy, greater distribution of wealth to Bolivia's indigenous majority and land reform.

Recent Economic Highlights

- ❑ Though rich in mineral land and energy resources, Bolivia is one of South America's poorest countries. 60% of the nine million population lives below the poverty line and 38% in extreme poverty. A survey by the Catholic Church found that 50,000 families own 90% of the country's productive land. The four eastern lowland provinces produce 82% of Bolivia's natural gas and have a per capita income 40% higher than the other five states. The reassertion of state control over natural gas resources has brought in an extra \$1.5bn of revenue to the treasury.
- ❑ The hydrocarbons sector, the main pillar of the Bolivian economy, is the biggest contributor to GDP and the country's main export. With over 48 trillion cubic feet of natural gas reserves, Bolivia stands out as one of the primary gas suppliers on the continent. Real GDP is forecast at 3.5% in 2008, down from 3.9% in 2007.
- ❑ YFP Bolivianos, Bolivia's state energy company, said it seeks to double the Andean country's natural gas reserves through foreign investment. YFP aims to bring in as much as \$1.5bn in annual investment to its oil and gas industry from ventures with companies including Petroleos de Venezuela SA and Russia's OAO Gazprom. The investment drive, dubbed Plan 100, seeks to increase Bolivia's gas reserves to 100 trillion cubic feet in four years from the government's estimate of 48.7 trillion cubic feet. The reserves are the second-largest in Latin America after Venezuela. Investment in Bolivia's gas industry dropped to \$149 million last year from \$605 million a decade earlier, after President Evo Morales seized fields, refineries and pipelines from companies.
- ❑ As a result of the Multilateral Debt Relief Initiative, Fitch Ratings forecasts general government debt as a percentage of GDP to decline to 30% by year-end 2008. Reflecting \$1.17bn of additional debt relief from the Inter-American Development bank (IDB) and a marked accumulation of international reserves, Bolivia became an overall net creditor in 2007. Given Bolivia's favourable terms of trade, Fitch expects this position to continue improving in 2008.

Latest Trade Developments

- ❑ Major exports: natural gas, soybeans and soy products, crude petroleum, zinc ore, tin and fruit.
- ❑ Major imports: petroleum products, plastics, paper, aircraft and aircraft parts, prepared foods, automobiles, insecticides and soybeans.
- ❑ Main trading partners: Brazil, US, Argentina, Colombia, Japan, Peru, Chile and US.
- ❑ Venezuela's influence in Bolivia has been growing and has come to rival the US as Bolivia's main patron. Venezuela and Iran are to loan Bolivia \$225 million to create a state cement company for the construction of roads and houses. Bolivia has formed strong ties with Venezuela under Morales. Brazil and Venezuela agreed to lend Bolivia \$350 million to construct a 517km highway linking Brazil and Bolivia through the Amazon region as part of efforts to integrate South America.
- ❑ SA's exports to Bolivia totaled R8m in 2006, R22.5m in 2007 and R32,000 in the year to March 2008.